

# TEACHERS' RETIREMENT BOARD

## REGULAR MEETING

SUBJECT: Proposed Travel

ITEM NUMBER: 9a

ATTACHMENT(S):     

ACTION:   X  

DATE OF MEETING:     May 7, 1998    

INFORMATION:           

PRESENTER:     Mr. Mosman    

### 97/98 TRAVEL CALENDAR

<u>CONFERENCE</u>	<u>LOCATION</u>	<u>CATEGORY</u>	<u>ATTENDEE</u>
<u>July</u>			
IFEBP - Investment Institute	Boston, MA 07/28-30/97	3	Ms. Zink
Pensions 2000 - Preserving the Sanctity of Pension Funds	Carmel, CA 07/19-23/97	3	Ms. Bodle Ms. DuCray-Morrill
<u>August</u>			
Public Pension Institute	Oregon 08/08-10/97	2	Mr. Mayer Ms. Smith
Equity Manager Visits	New York, NY 08/11-14/97		Mr. Mitchell
<u>September</u>			
CII - Fall Conference	San Francisco 09/21-23/97	2	Ms. Bodle Mr. Mosman Mr. Mitchell Ms. Okada
NCTR - Annual Conference	Philadelphia, PA 09/28-10/01/97	2	Ms. Zink Ms. Bodle Mr. Mosman Ms. DuCray-Morrill
Private Equity Analyst Conf.	New York, NY 09/31/97	3	Ms. Bodle
IFEBP - Fundamentals of Money Management	Philadelphia, PA 09/15-19/97	3	Ms. Raffel
Institutional Limited Partner Association Meeting	New York, NY 09/23-29/97		Mr. Mitchell
<u>October</u>			
PRISM - Board Meeting	Nashville, TN 10/15-17/97		Mr. Martin
State Street Bank Meeting	Boston, MA 10/01-06/97		Ms. Okada

Proposed Travel  
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<u>CONFERENCE</u>	<u>LOCATION</u>	<u>CATEGORY</u>	<u>ATTENDEE</u>
<u>October</u> (cont.)			
NASIO	Phoenix, AR 10/19-23/97		Mr. Mitchell
<u>November</u>			
National Association of State Treasurers - Issues Conference on Pensions	Boston, MA 11/15-18/97	2	Mr. White Ms. Zink
Institute for International Research - Public Fund Boards Forum	San Francisco, CA 11/01-04/97	3	Ms. Bodle
Strategic Meeting to oppose Mandatory Social Security	Washington, D.C. 11/03-04/97		Ms. DuCray-Morrill
<u>December</u>			
NCTR Savings Education Committee	Kansas City, MO 12/12-14/97		Mr. Mosman
<u>January</u>			
Mid-winter Conference of Large Public Pension Funds	Naples, FL 01/03-07/98		Mr. Mosman
Pacific Pension Institute Mid-winter Conference	Menlo Park, CA 01/07-09/98	3	Ms. Smith
NCTR Trustees Educational Committee	Kansas City, MO 01/17-18/98	2	Ms. Bodle
<u>February</u>			
NCTR Executive and Legislative Meeting	Washington, DC 02/07-10/98		Mr. Mosman Ms. DuCray-Morrill
Third Annual Trustee Educational Forum	New Orleans, LA 02/17-18/98	3	Mr. Mayer
Pension 2000 Alternative Investment Seminar	Palm Beach, FL 02/22-25/98	3	Ms. Zink Mr. Mitchell
CALAPRS Trustee Seminar	Menlo Park, CA 02/11-13/98	3 3	Mr. Mathiesen Ms. Bodle
CALAPRS General Assembly	San Diego, CA 02/30 - 03/02/98	2	Mr. Dezember
<u>March</u>			
Pension Management Conference	San Francisco, CA 03/08-11/98	3	Ms. Drevalas
Public Funds Summit	Phoenix, AR 03/15-16/98		Mr. Mosman

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<u>CONFERENCE</u>	<u>LOCATION</u>	<u>CATEGORY</u>	<u>ATTENDEE</u>
<u>March</u> (cont.)			
✓ CII Spring Conference	Washington, DC 03/28-31/98	2	Mr. Mosman Ms. Zink Ms. DuCray-Morrill Mr. Waddell
<u>April</u>			
✓ CRTA South Bay #46 Meeting	Redondo Beach, CA 04/08/98	3	Mr. Mathiesen
NCTR Executive Meeting	Colorado Springs, CO 04/19-21/98		Mr. Mosman
Meet with Investment Managers, Equity Bankers & Government Agencies	Washington, DC 04/20-25/98		Mr. Mitchell
<u>May</u>			
PRISM Conference	Nashville, TN 05/09-13/98		Mr. Martin
<u>June</u>			
IFE Market Makers Seminar	Carlsbad, CA 06/21-25/98	3	Mr. Lynes Ms. Zink Mr. Mitchell
✓ NAPPA Conference	Newport, RI 06/23-26/98		Mr. Waddell
✓ NCTR Directors Meeting	Branson, MO 06/27-30/98		Mr. Mosman

✓ Approval Requested

TEACHERS' RETIREMENT BOARD

REGULAR MEETING

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SUBJECT: Travel Summaries

ITEM NUMBER: 9b

ATTACHMENT(S):       

ACTION:   X  

DATE OF MEETING: May 7, 1998

INFORMATION:           

PRESENTER: Mr. Mosman

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Board Member reports due:

Mr. Mayer - Third Annual Trustee Educational Forum

Ms. Zink - Pension 2000 Alternative Investment Seminar

Ms. Zink - CII Spring Conference

Executive Staff reports due:

Mr. Mosman - CII Spring Conference

Ms. DuCray-Morrill - CII Spring Conference

Mr. Mosman - NCTR Executive Meeting

Mr. Mitchell - Meet with Managers, Equity Bankers and  
Governmental Agencies

**TRAVEL REPORT**

Name: Michael C. Mayer

Title: Board Member

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Destination: New Orleans

Funding Source:

STRS

Other ☒ Institute for International Research

Travel Costs: \$1,123 (IIR)

Travel Period: February 15-18, 1998

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Purpose of Trip: Attend the Third Annual Trustee Educational Forum. I also co-presented information on International Investing and Emerging Markets.

Summary / Highlights:

The meeting was well attended by delegates of many pension systems, plan sponsors and investment advisors and managers. The forum centered on the many asset classes available for pension plans and how these related to each other in an effective asset allocation process. Attached is the agenda and explanation of the topics discussed.

The event was well worth the time and effort to continue to understand the relationship of the various asset classes and participate in an educational environment for newly assigned trustees.

Exhibit - Conference agenda

7:45 *Continental Breakfast*

8:30 **CO-CHAIRMAN'S REMARKS**

**Jerome D. Davis**  
President  
COUNCIL OF LOUISIANA TRUSTEES  
Chairman  
CITY OF NEW ORLEANS MUNICIPAL RETIREMENT SYSTEM

**John Keane**  
Administrator  
JACKSONVILLE FIRE & POLICE PENSION FUND

*Morning Host:*

**Warren J. Lawrence**  
Legislative Liaison  
COUNCIL OF LOUISIANA TRUSTEES  
Trustee  
NEW ORLEANS SEWERAGE OF WATER RETIREMENT SYSTEM

8:45 **RISK MANAGEMENT: BALANCING THE RISK/RETURN EQUATION**

- The different types of risk: Market, credit, liquidity, operational, etc.
- Risk management is more than just appropriate asset allocation, diversification and the prudent use of derivatives!
- Measuring your fund's exposure
- Controlling & monitoring risks

**Robert Hill**  
Director, Equities  
VIRGINIA RETIREMENT SYSTEM

9:45 **INTERNATIONAL INVESTMENTS: WHAT YOU NEED TO KNOW BEFORE TAKING THE FUND'S INVESTMENTS ABROAD**

- Why invest abroad?
- How much should be invested internationally?
- Developing and implementing a strategy
- Limiting risks
- Emerging markets

**Mark Castelin**  
Client Executive  
FRANK RUSSELL TRUST COMPANY

**Michael C. Mayer**  
Trustee  
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

11:00 *Mid morning refreshments*

11:15 **HIRING & EFFECTIVELY WORKING WITH A CONSULTANT**

- Criteria for choosing a good consultant
- What is the role of the consultant?
- What are the standards the consultant uses for creating a short list?
- How to determine if your consultant is truly independent

**Rene Nunez**  
Chairman  
TEXAS PERMANENT SCHOOL FUND

12:15 *Luncheon for delegates & speakers*

*Afternoon Host:*

**Richard J. Hampton, Jr.**  
Special Events  
COUNCIL OF LOUISIANA TRUSTEES  
Secretary/Treasurer  
NEW ORLEANS FIREFIGHTERS PENSION & RELIEF FUND

1:15 **DEFINED BENEFIT VS. DEFINED CONTRIBUTION: MAKING THE BEST CHOICE FOR YOUR PLAN**

- Determining the goals of your retirement system: Public policy considerations
- Comparing and contrasting defined benefit and defined contribution plans
- Alternative and hybrid plans
- Issues and concerns critical in choosing a suitable plan for your group

**Leon Labrecque**  
Vice President, Academics  
EDUCATIONAL TECHNOLOGIES INC.

**John Keane**  
Administrator  
JACKSONVILLE FIRE & POLICE PENSION FUND

3:00 *Afternoon refreshments*

3:15 **EFFECTIVELY EDUCATING YOURSELF & THE PLAN PARTICIPANTS**

Once trustees leave this conference, what can they do to further their education on the investment and administration of their plan? This session will provide a checklist of ways to gather this information and ensure that well-informed decisions are made on behalf of the fund and its participants throughout a trustee's tenure.

This session also addresses the issue of effectively educating plan participants so that they are able to make proper decisions for their own retirement.

**Darryl Anderson**  
Trustee  
OHIO HIGHWAY PATROL RETIREMENT SYSTEM

4:15 **DROP PLANS: AN OVERVIEW AND ITS RAMIFICATIONS**

- Historical overview
- DROP design and implementation
- Participation requirements and forms
- Exiting the DROP
- Impact of DROP on disability retirements

**Don Meyers**  
Chairman  
HOUSTON FIREMEN'S RELIEF & RETIREMENT FUND

5:15 *Conference concludes*

### About the Session Format:

To make this forum truly interactive, this conference will implement a new session format that incorporates a formal lecture immediately followed by roundtable discussion. This format was designed to encourage discussion, pinpoint issues and challenges in the public fund community, and exchange ideas and solutions between attendees.

#### 7:30 *Registration & Continental Breakfast*

#### 8:15 CO-CHAIRMEN'S OPENING REMARKS

**Jerome D. Davis**  
President  
COUNCIL OF LOUISIANA TRUSTEES  
Chairman  
CITY OF NEW ORLEANS MUNICIPAL RETIREMENT SYSTEM

**John Keane**  
Administrator  
JACKSONVILLE FIRE & POLICE PENSION FUND

#### *Morning Host:*

**Lawrence J. Moody, Jr.**  
Member of the Board of Governors  
COUNCIL OF LOUISIANA TRUSTEES  
Trustee  
TEACHERS' RETIREMENT SYSTEM OF LOUISIANA

#### 8:30 DEFINING & UNDERSTANDING YOUR FIDUCIARY RESPONSIBILITY

- What is a fiduciary?
- The "Prudent Man" rule
- The importance of documentation
- Ethics
- Ensuring proper due diligence
- What are your personal liabilities as a trustee?

**Barbara McManus**  
Trustee  
LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

**Martin A. Rosenblatt**  
Trustee  
NEW YORK CITY RETIREMENT SYSTEMS

#### 9:45 *Mid morning refreshments*

#### 10:00 "INVESTMENTS 101": A PRIMER TO ESTABLISH A SOLID FOUNDATION FOR SOUND INVESTMENT DECISIONS

- This session will provide a broad overview of terms and ideas used throughout the investment industry. Aside from general terminology, this session features . . . .
- **Equities:** Large cap vs. small cap; value vs. growth; top down vs. bottom up; qualitative vs. quantitative; indexing vs. active management.
  - **Fixed Income:** What is fixed income and what is its role in the pension portfolio? Traditional vs. non-traditional bonds.

**Leon Labrecque**  
Vice President, Academics  
EDUCATIONAL TECHNOLOGIES INC.

#### 11:45 *Luncheon for delegates & speakers*

#### *Luncheon Address:*

**The Honorable Ken Duncan**  
STATE TREASURER OF LOUISIANA

#### *Afternoon Host:*

**Frank L. Jobert, Jr.**  
Vice President & Treasurer  
COUNCIL OF LOUISIANA TRUSTEES  
Trustee  
LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

#### 1:00 INVESTMENT POLICY & ASSET ALLOCATION: THE GUIDELINES FOR SUCCESSFUL PORTFOLIO MANAGEMENT

- The asset mix – How important to funding?
- Who is responsible?
- How is it done?
- How often and why is it changed?
- How does investment policy link to asset allocation?

**Paul Troup**  
Executive Vice President  
CALLAN ASSOCIATES

#### 2:15 BEST PRACTICES FOR SELECTING & MONITORING INVESTMENT MANAGERS

- How to utilize your consultant
- What goes into the short list?
- Reporting to the plan sponsor
- Translating the reports of the manager
- Being aware of the managers team
- "To fire" or "not to fire"

**Robert Mundy**  
Chairman & Trustee  
ORLANDO POLICE PENSION BOARD

#### 3:30 *Afternoon refreshments*

#### 3:45 PERFORMANCE MEASUREMENT: HOW TO EVALUATE THE SUCCESS OF YOUR INVESTMENTS

- Understanding benchmarking and its importance
- How to choose an appropriate benchmark
- Evaluating your investments against the benchmark

**Joseph S. Nankof**  
Managing Director  
ROGERSCASEY SPONSOR SERVICES

#### 4:45 UNDERSTANDING THE COSTS OF INVESTING

- Terminology
- Conspicuous costs
- Inconspicuous costs
- Noise elements to cost structure
- Risk implications of cost structures

**Paul Matson**  
Senior Investment Manager  
ARIZONA STATE RETIREMENT SYSTEM

#### 5:30 *Close of Day One*

*Cocktail Reception Immediately Following*

### TRAVEL REPORT

Name: Emma Zink, Chairperson, Teachers' Retirement Board  
Patrick Mitchell, Chief Investment Officer

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Destination: Palm Beach, Florida

Funding Source:

STRS	<u>X</u>	
Other	<u>X</u>	Hotel for P. Mitchell

Travel Costs: \$1,460 for E. Zink  
\$525 for P. Mitchell

Travel Period: February 22-25, 1998

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Purpose of Trip: Pension 2000 meeting on Alternative Investments

Summary / Highlights:

Panel presentations were completed by representatives from the vendors, plan sponsors, and consultants. The general sessions were held from 8 a.m. to 2 p.m., breakout sessions from 2 p.m. to 5 p.m., and round table discussions each evening.

The most relevant issues for the California State Teachers' Retirement Systems were:

1. What are alternative investments?

Alternative Investments were broken into four sections: 1) buyout, 2) venture capital, 3) mezzanine lending, and 4) buyout funds and the public equity market.

Buyout funds are a form of active management of domestic and international equity. Wilshire Associates presented a report which showed a 99% correlation between domestic buyout funds and the public equity market.

Mezzanine lending is a diversification strategy within the alternative investment area. The risk/return profile more like public debt than private equity.

Venture capital and special situations contain a risk/return profile more in line with consultants projects and asset allocation assumptions.

2. Are funds getting what they are paying for with the current partnership structure?

The discussion dealt with the validity and appropriateness of benchmarks for alternative investments. Since each partnership may contain substantially different terms and conditions with different risk/return objectives, what type of performance measurement process could be used on a generic basis?

The consensus was that a relative benchmark would be most useful when evaluating the total alternative investment portfolio. The most common measurement is the S&P 500 Index or the Russell 3000 Index plus 5% on a rolling basis (three to five years). This benchmark shows the relative performance to low cost liquid alternative. This comparison will assist in the allocation decision. Are the return assumptions valid? What percent of the assets, if any, should be reserved for alternative investments?

Another popular method of measurement is comparing the alternative investment portfolio to an industry benchmark such as venture economics vintage year with buyout and venture capital categories. This comparison shows relative performance compared to the universe of alternative investment partnerships. This comparison will assist in the evaluation of the value added through partnership selection.

3. What is the value of investing in international or emerging market alternative investments? Should a pension fund take a global approach to investment?

The consensus was that investing in U.K. or Western Europe should be similar to the U.S. with a mature sophisticated market offering substantially the same risk/return profiles. The value added would be achieved through diversification, country selection, and currency valuations. No enhancement of returns was expected or forecast.

The consensus was that investing in Latin America, Eastern Europe, and emerging Asia had the potential to increase returns but held many additional risks. The difficulty in properly assessing the additional risks causes apprehension even with the most seasoned investors.

4. Is the limited partnership structure the proper delivery mechanism for alternative investments?

Could a public company deliver the same product at a lower fee with more accountability and liquidity? Berkshire Hathaway was cited as an example of a public company designed to function as a buyout fund with many advantages accruing to the investors. It was suggested that many of the public companies operate on a basis of raising cash, investing for control, improving operating efficiency, and selling for profit. Public companies offer substantially more disclosure, transparency and efficiency while obtaining a superior alignment of interest between the investors and the managers.

This type of meeting is valuable to assist in accomplishing two things: (1) Establish or maintain networking relationships for future reference, and (2) Provide a forum to explore concepts with a cross section of individuals representing vendors, plan sponsors and consultants.

**TRAVEL REPORT**

Name: Emma Zink - Chairperson, Teachers' Retirement Board  
James Mosman - Chief Executive Officer  
Jennifer DuCray-Morrill, Deputy Chief Executive Officer  
Christopher Waddell - Chief Counsel

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Destination: Washington, D.C.

Funding Source:

STRS   X    
Other       

Travel Costs: \$1,500/person

Travel Period: March 28 - 31, 1998

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Purpose of Trip: Legislative Hearings/Council of Institutional  
Investors

Summary / Highlights:

- Attended the annual meeting of the Council of Institutional Investors where issues of importance to STRS were discussed (copy of agenda is attached). Held discussions with representatives of other systems regarding mutual concerns.
- Also attended meetings with Hogan & Hartson, STRS federal representative, to discuss strategy regarding STRS issues including: Mandatory Social Security, Social Security Offsets, Elk Hills, Cash Balance Plan, Deferred Retirement Option Plan, etc.
- Met with representatives of United Teachers Los Angeles (UTLA) regarding strategy development for Social Security Offsets and Mandatory Social Security. Also discussed STRS' Member Home Loan Program.

Exhibit - CII Conference Agenda

Council of Institutional Investors  
**Spring Conference**  
Loews L'Enfant Plaza Hotel  
480 L'Enfant Plaza, S.W., Washington, DC  
March 30-31, 1998

**AGENDA**

**Monday, March 30**

8:00 a.m. **Registration & Continental Breakfast**  
Ballroom Foyer/Solunum

9:00 a.m. **Welcome & Awards**  
Ballroom

9:15 a.m. **Pension Funds and The Law**  
Ballroom

Noon **Lunch**  
Monet Suite

**Introduction**

**Laura S. Unger**  
Commissioner  
Securities and Exchange Commission

**Michael McGrath**  
Treasurer  
State of Minnesota

2:00 p.m. **Breakout Sessions**

- A. **Pension Fund Governance for CEOs, Counsels and Trustees**  
(with Jim Burton presiding), Ballroom C/D

**Dr. John T. Por**, President, Cortex Applied Research  
**Tom Iannucci**, Director, Research & Strategic Services, Cortex Applied Research

- B. **Private Partnerships and Bond Trading for CIOs**  
(with Michael McGrath presiding), Ballroom A/B

**William O. Bell**, Chief of Management Policy  
Florida State Board of Administration  
**R. Scott Henderson**, Executive Director  
Massachusetts Pension Reserves Investment Management Board  
**Roland Machold**, Director  
New Jersey Division of Investment  
**Sheryl Pressler**, Chief Investment Officer  
California Public Employees' Retirement System

- C. **Will You Have Any Retirement Money?**  
(with Henry Jones presiding), Renoir Room

**Olena Berg**, Assistant Secretary  
Department of Labor  
**Jim Miller**, Director, Governmental Affairs  
Ohio State Teachers' Retirement System  
**Richard Thau**, Executive Director  
Third Millennium

4:30 p.m. **Adjourn**

5:30 p.m.-7:00p.m.

**Reception**

Hosted by: **Mellon Trust**  
Solonum

8:45 p.m.

**Final Game of the NCAA  
Pizzas and Coca-Cola**

Hosted by **Coca-Cola** and the Council  
Quorum Room

**Tuesday, March 31**

8:30 a.m.

**Continental Breakfast**

Solonum

Introduction

9:00 a.m.

**Ambassador Andrew Young**

Board Member  
Archer Daniels Midland  
Ballroom

**H. Carl McCall**  
Comptroller  
State of New York

10:00 a.m.

General Members' and Executive Committee  
Business Meeting  
Ballroom

12:30 p.m.

**Lunch**

Monet Suite

Introduction

**Alexis M. Herman**

Secretary  
Department of Labor

**William Lucy**  
International Secretary-Treasurer  
AFSCME

2:15 p.m.

**Securities and Exchange Commission Meeting**

Location: The Commission, Room 1C-30  
Transportation will be provided from Loews L'Enfant Plaza Hotel and back

**TRAVEL REPORT**

Name: James D. Mosman

Title: Chief Executive Officer

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Destination: Colorado Springs, CO

Funding Source:

STRS   X    
Other       

Travel Costs: \$850

Travel Period: April 18-21, 1998

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Purpose of Trip: Attend NCTR Executive Committee Meeting

Summary / Highlights:

This is the annual planning meeting of the NCTR Executive Committee. Major initiatives for the organization were discussed with particular emphasis on retirement education and Social Security.